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February 27, 2023

BY ELECTRONIC TRANSMISSION

The Honorable Craig T. Goldblatt
United States Bankruptcy Judge
U.S. Bankruptcy Court for the District of Delaware
824 N. Market St., 3rd Floor, Courtroom 7
Wilmington, DE 19801

Re: *In re Allegiance Coal USA Limited, et al.*, Case No. 23-10234

Dear Judge Goldblatt:

I write on behalf of the Debtors to obtain the Court's assistance with a discovery dispute involving the refusal of Collins St to produce documents related to the valuation of the Debtors' assets and Collins St's collateral, and documents going to the validity, extent and priority of Collins St's interests in the Debtors' property. The Debtors request a teleconference with Your Honor as soon as possible to resolve this dispute in an expeditious manner.

Following last week's contested cash collateral hearing, the Debtors met and conferred with Collins St and requested all documents evidencing Collins St's loan and the attachment and perfection of its liens, as well as all documents related to the valuation of the Debtors and their assets from the time Collins St performed diligence for its loan up to the date Collins St filed its objection to the cash collateral motion [D.I. 19]. Today, we also requested that Collins St identify the Debtor and non-Debtor assets that it asserts are subject to a validly attached and perfected lien or security interest as of the petition date. Though Collins St has produced loan documents, it refuses to produce valuation documents and has not responded to the request we made today.

As the Court will recall, Collins St, in objecting to the use of cash collateral at the hearing, alleged that the value of its collateral has dropped materially since making the loan (notably there were two tranches of debt, the second of which closed in August 2022) and that continued operations would cause continued ongoing material decline in the value of its collateral. Despite Collins St's unsupported assertions, the Debtors believe there has not been any such decline and that their assets and the collateral values significantly exceed Collins St's debt.

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DISTRICT OF DELAWARE

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The discovery is clearly relevant because Collins St has put valuation of the Debtors' assets at issue, and there is no basis to refuse to produce valuation discovery. Likewise, Collins St "has the burden of proof on the issue of the validity, priority, or extent" of its liens and therefore must produce any documents relevant to those issues.

For these reasons, the Debtors are entitled to the foregoing discovery and request a teleconference with the Court to direct Collins St to immediately produce all valuation documents and any other documents supporting its allegations, including related to the validity, priority or extent of its liens.

Sincerely,

/s/ Robert J. Dehney

Robert J. Dehney

RJD/clh

cc: Counsel to Collins St